

Spring Meetings 2022 Media Roundtable Opening Remarks by World Bank Group President David Malpass

April 18, 2022

Thank you. It will be a busy week. Lots to get through today. Good morning, everybody. Thank you for joining.

We begin the Spring Meetings facing severe overlapping crises. There's COVID-19, inflation, and Russia's invasion of Ukraine.

I'm deeply concerned about developing countries. They're facing sudden price increases for energy, fertilizer, and food, and the likelihood of interest rate increases. Each one hits them hard.

These, plus the war in Ukraine and China's COVID-related shutdowns, are pushing global growth rates even lower and poverty rates higher.

We've lowered our 2022 growth rate to 3.2% from 4.1% before. People are facing reversals in development for education, health, and gender equality. They're facing reduced commercial activity and trade. Also, the debt crises and currency depreciations have a burden that falls heavily on the poor.

Many discussions this week will focus on these topics.

For Ukraine, we've mobilized nearly \$1 billion in emergency financing, and we've announced another \$1.5 billion to support essential government services. I made that announcement in Poland last week.

I want to spend a few minutes on the issue of food insecurity. I was recently at the World Water Forum in Senegal, and then I visited Morocco. Both countries are being affected by the price spike in the energy and fertilizer that are used to make food. This is an intense problem.

Food crises are bad for everyone, but they're devastating for the poorest and most vulnerable. There are two reasons. First, the world's poorest countries tend to be food importing countries. Second, food accounts for at least half of total expenditures in household budgets in low-income countries, so it hits them hardest.

I joined Kristalina (Georgieva, IMF Managing Director), Ngozi (Okonjo-Iweala, WTO Director-General), and David Beasley (UN World Food Program Executive Director) in a [joint statement](#) last week on food insecurity. We wanted to highlight the issue and help coordination. Countries must be taking action now to encourage the production of food, energy, and fertilizer. The production chain needs all three. It's vital for countries, both advanced and developing, to reduce their trade barriers.

Global trade is still facing quotas, high import tariffs, high export tariffs, expensive food price subsidies, and even export bans on food products. These should stop. The international community needs to immediately step up emergency assistance for food insecurity and help bolster social safety nets. From the World Bank's standpoint, we are providing roughly \$17 billion per year to strengthen food security – a big part of the global effort.

I'll turn briefly to the COVID-19 response, which is still underway. The World Bank Group expanded our financing rapidly, reaching \$157 billion in the 15 months ending June 2021. Vaccines were a big part of this effort. We now expect to have committed \$11 billion to purchase and deploy vaccines in our current fiscal year ending June 30, benefiting 81 countries. This has been a massive effort by our country teams around the world and has brought hundreds of millions of shots to arms.

Over the next few weeks, I expect to discuss with our board a new 15-month crisis response envelope of around \$170 billion to cover April 2022 through June 2023. We expect to commit around \$50 billion of this amount in the next three months. This is a continued, massive crisis response given the continuation of the crisis. Helping this effort was the front loading of IDA19. IDA has been a key part of what has been a record scale-up. We'll be starting IDA20 on July 1, making \$93 billion available to IDA countries, the poorest.

As part of our scale up, we've increased our climate financing and technical support to over \$26 billion in fiscal 2021 alone. That's our highest level ever. Electrical grid and baseload were key topics in my visits to Poland and Romania last week. I note that Ukraine synchronized its electrical grid with Western Europe in recent weeks, which is a step toward improving the electrical grid for Western Europe.

I want to say a few words on debt and inflation. These are two big problems facing global growth. Due to high debt and deficit levels, countries are under severe financial stress. Sixty percent of low-income countries are already in debt distress or at high risk of it. I participated virtually in our April 13 conference on debt transparency and sustainability, and suggested steps to improve the implementation of the Common Framework. These included:

1. Establishing a timeline for forming creditors' committees.
2. Suspension of debt service payments and penalty interest.
3. Expanding eligibility.
4. A simple rule so that it can be evaluated and enforced.
5. Engaging commercial creditors at the beginning of the process.

We expect the debt crisis to continue to worsen in 2022.

I want to turn now to the inflation problem, which is causing immense strain. Policies need to be adjusted to enhance supply, not just increasing demand. Markets are forward looking so it's vital for governments and private sectors to state that supply will increase and that their policies will foster currency stability to bring down inflation and

increase growth rates. This is especially important as global supply chains shift away from dependency.

Central banks need to use more tools under current policies. The inequality gap has widened materially, with wealth and income concentrating in narrow segments of the global population. Interest rate hikes, if that's the primary tool, will add to the inequality challenge that the world is facing.

Central banks can use more of their tools, not just interest rates. Capital is being misallocated now. One of the focal points should be using all the central bank tools so that capital is allocated in a way that helps increase supply. That will be an effective way to address inflation. Some of the tools include:

- Changing the duration of their portfolio; it would be very helpful to shorten it.
- Encouraging supply through their regulatory policies.
- Providing forward guidance that fosters currency stability.
- Other tools as well to powerfully address the inflation problem.

One final point and then I'll see if there are questions. I recently attended major meetings on fragility in Brussels and at the Munich Security Conference. In addition to the high priority that's needed for energy and food production, we must have a global effort to strengthen security and stability. This involves a commitment to security and peace. It involves constant efforts to strengthen institutions to improve their coordination, and to raise living standards.

I wanted to end on that because as I've traveled a lot recently. This issue of fragility is a major risk within the developing world. I look forward to discussing all these topics with our shareholders and member countries in the Spring Meetings. And with that, I'll be happy to take any questions. Thanks.